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ABSTRACT

Designed for the general public and possibly suitable also for high school economics students, this pamphlet describes the provisions of the Equal Credit Opportunity Act. The act prohibits discrimination because of race, color, religion, national origin, sex, marital status, and age when applying for a mortgage or home improvement loan. The pamphlet presents general rules for lenders and specifically states that a lender may not: (1) discourage an applicant from applying for a loan; (2) refuse to make a loan to qualified applicants; (3) lend an applicant money on terms different from those granted another applicant with similar assets; (4) rely on a property appraisal based on the racial makeup of a neighborhood; (5) ask about childbearing plans; (6) refuse to consider reliable alimony, child support, or separate maintenance payments; (7) refuse to consider reliable income from part-time employment or public assistance; or (8) require another signature on a creditworthy applicant's loan. The legal obligations of the lender in the event that a loan is denied are briefly described. The Home Mortgage Disclosure Act, The Community Reinvestment Act, and the Fair Housing Act are also briefly described. The final section presents a list of names and locations of federal enforcement agencies which deal with questions concerning fair credit laws. (LH)

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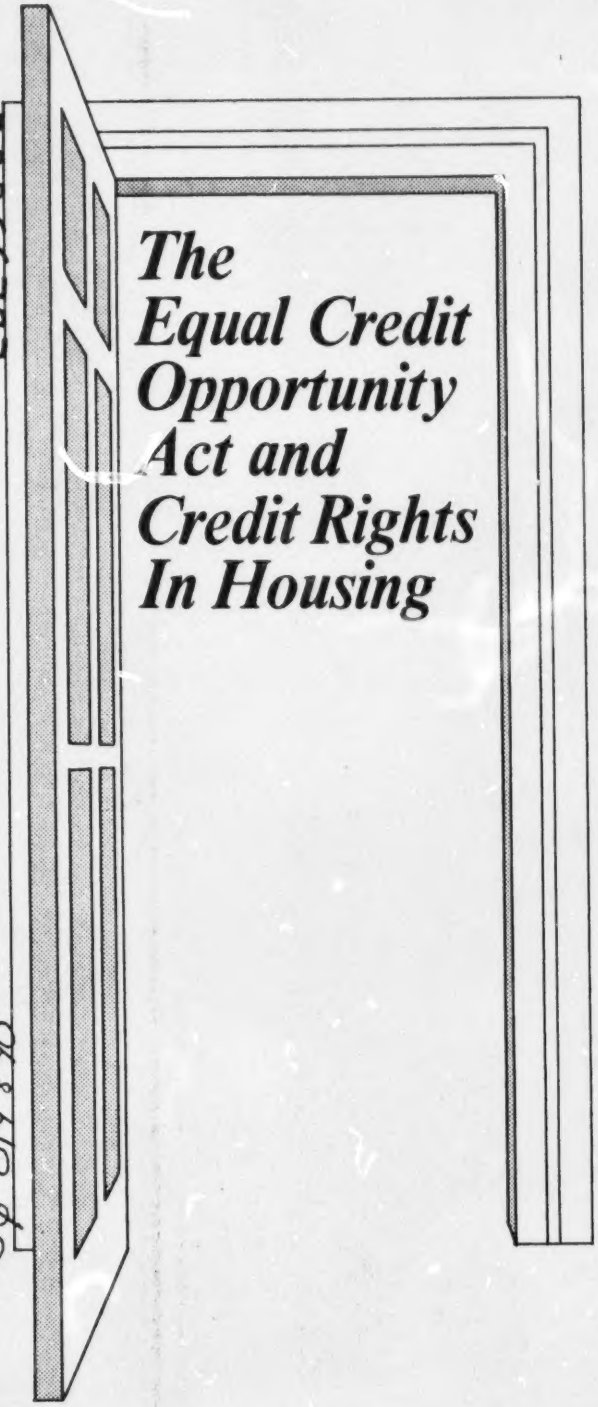

The Equal Credit Opportunity Act and Credit Rights In Housing

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The Equal Credit Opportunity Act and Credit Rights In Housing

If you're in the market for a housing loan, you should know about a Federal law that protects your credit rights.

The Equal Credit Opportunity Act prohibits discrimination because of your ***race, color, religion, national origin, sex, marital status,*** or ***age*** when you apply for a mortgage or home improvement loan. It also prohibits discrimination because of the ***race*** or ***national origin*** of the people who live in the neighborhood where you live or want to buy your home. And, it prohibits discrimination because you receive income from a ***public assistance*** program, such as Aid to Families with Dependent Children or Social Security.

This pamphlet describes the most important provisions of the Act and the regulation issued by the Federal Reserve Board to carry it out.

The General Rule. The law does not guarantee that you will get credit. Lenders may continue to consider your income, expenses, debts, credit record, and reliability to determine whether you're credit-worthy. But, they must apply those tests fairly and without discrimination.

This means that because of your race, sex, or marital status—or because of any other factor prohibited by the Act—a lender ***may not:***

- discourage you in any way from applying for a loan.
- refuse to make a loan if you qualify, and if the lender offers the type of loan you seek.
- lend you money on terms different from those granted another person with similar income, expenses, credit history, and collateral.

Some Important Specifics. Certain practices that kept ***women*** and ***minority groups*** out of the housing loan market in the past are now prohibited. For example, a creditor ***may not:***

- rely on a property appraisal that considers the racial makeup of the neighborhood.
- ask about your birth control practices or childbearing plans. A creditor may not assume that you will have children or discount your income for that reason.
- discount or refuse to consider reliable alimony, child support, or separate maintenance payments—although you do not have to disclose such income unless you want to support your application.
- discount or refuse to consider reliable income from part-time employment or public assistance.
- if you're creditworthy, require another signature on the loan—although a lender may need a spouse's or co-owner's signature, for example, on other mortgage papers.

A creditor also may not deny you credit ***just because you reach a certain age or retire***—or refuse to count retirement benefits. But, your age may be considered in connection with such factors as the length of the loan, the downpayment, and the security you offer.

If a Loan is Denied. A lender may not stall your loan application. You must be notified whether your loan has been approved within 30 days after your application and any necessary appraisals, credit checks, or government approvals are completed. If your loan is denied, the notice must be in writing, and the lender must either tell you the specific reasons for the denial or tell you of your right to request the reasons.

If you think that you have been discriminated against, you may sue for actual damages, plus a penalty fee in some cases. You may also be awarded reasonable attorney's fees and court costs in a successful lawsuit.

Housing Credit Disclosure. You may also be interested in the Home Mortgage Disclosure Act, which requires

most lending institutions in metropolitan areas to let the public know once a year where they make their mortgage and home improvement loans. You can ask to see the information at any time at your bank, savings and loan, or credit union.

This disclosure statement will not tell you where loans were denied or why. But, it can help customers, community groups, and local officials work with lenders to meet neighborhood needs for housing credit.

Banks and savings and loan associations are also subject to the Community Reinvestment Act. CRA focuses on the credit needs of local communities, including low and moderate income neighborhoods. It requires institutions to prepare (and make available to the public) a map of the community that each serves and a list of the types of credit offered within that community. The institution's record in meeting community needs is evaluated when it files certain applications with its Federal supervisory agency.

For Advice and Help. For more information about the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, or the Community Reinvestment Act—or for advice or help with complaints—write to any Federal Reserve Bank* or to the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Another Federal law, the Fair Housing Act, prohibits discrimination in the sale, rental, or financing of housing because of your race, color, religion, sex, or national origin. For more information, write to the Assistant Secretary for Fair Housing and Equal Credit Opportunity, Department of Housing and Urban Development, 451 7th Street, S.W., Washington, D.C. 20410.

* Located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

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Federal Enforcement Agencies Equal Credit Opportunity Act

National Banks
Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks
Federal Reserve Bank serving the District in which the State member bank is located.

Nonmember Insured Banks
Federal Deposit Insurance Corporation Regional Director for the region in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks Insured by FDIC)
The Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Federal Credit Union
Regional office of the National Credit Union Administration serving the area in which the Federal credit union is located.

Creditors Subject to Civil Aeronautics Board
Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Interstate Commerce Commission
Office of Proceedings
Interstate Commerce Commission
Washington, D.C. 20523

Creditors Subject to Packers and Stockyards Act
Nearest Packers and Stockyards Administration area supervisor.

Small Business Investment Companies
U.S. Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Brokers and Dealers
Securities and Exchange Commission
Washington, D.C. 20549

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations
Farm Credit Administration
490 L'Enfant Plaza, S.W.
Washington, D.C. 20578

Mortgage Bankers, Consumer Finance Companies and All Other Creditors
FTC Regional Office for region in which the creditor operates or
Federal Trade Commission
Equal Credit Opportunity
Washington, D.C. 20580

Any complaints may also be referred to the Civil Rights Division of the Department of Justice, Washington, D.C. 20530.